

Rationale for the Sale of Arrowsic Broadband Network

In general, operational costs, future equipment upgrades, and most significantly, the potential liability from severe storm damage are not offset by the minimum revenue and volunteer effort required. The ABA commissioners unanimously recommended to the Select Board that the Town sell the Network, deeming it in the Town's and its residents' best long-term interests.

The following document provides Arrowsic residents with the current status of the Arrowsic Broadband Network and the rationale for its potential sale.

1. Current Status of Network

Despite the unanticipated major expense of a federal audit, the Arrowsic Broadband Authority (ABA) remains stable and, in the short term, fiscally sound. The following is a synopsis of the financial picture for July through December.

- a. Net Income July 1 – December 31: \$5,124.47
- b. The above result is based on \$19,060.75 in revenue (40% of Customer Subscription Fees) minus \$13,936.28 in expenses.
- c. The recent spate of storms caused minor damage to the internet provider's (Axiom) portion of the Network. We would like to express our special thanks to our first responders, who helped clear trees and block roads with downed wires on Christmas Day. ABA personnel made considerable efforts on Christmas Day and over the holidays to determine what was damaged, identify who was responsible for the repair costs, and ensure no repairs were overlooked.
- d. It should be noted that while the Town incurred no costs from the recent storms, if downed trees had damaged the trunk or lateral fiber lines, which are far more costly to repair, those costs would have been borne by ABA/Town.
- e. The current service has been operating as designed since the internet provider resolved issues experienced last summer and fall.
- f. The Network has no debt.

2. Rationale for Sale of the Arrowsic Broadband Network

Any Network expense that the ABA cannot pay from its operational funds is a Town liability. A catastrophic damage event, or even a series of mid-level damage events, could significantly affect the Town's financial stability. The following is a list of details impacting ABA's financial status.

- a. The ABA/Town is responsible for the cost of storm damage or other repairs to all high-fiber-count wires, which are more expensive to repair.
- b. Minor common damages are typically a few thousand dollars and not an issue given ABA's current financial condition.
- c. Damage to the higher- fiber-count cables running along local roads can range from \$12,000 to \$30,000 per repair.
- d. Catastrophic damage from a major ice storm, hurricane, or major fire can be \$200,000 or more.
- e. There is no viable insurance option because the substantial policy costs and very high per-incident deductibles outweigh any advantage of having the coverage.
- f. In the past, FEMA has provided funds to help communities that experienced damage to their privately held networks. Recent changes to FEMA policy make it highly unlikely that the ABA/Town could expect such assistance in the future.
- g. Any Network expense that the ABA cannot pay is essentially a Town liability. So a catastrophic damage event or even a series of mid-level damage events could seriously impact the Town's financial stability.
- h. The Town is required to maintain a bond and 5 million dollars in liability insurance while it owns wires on the poles. ABA reimburses the Town for these costs.
- i. The ABA/Town is responsible for upgrading the switching and routing equipment in the central office. Most of this equipment has a lifespan of 7-10 years but will likely become obsolete before it fails. Current net income does not provide sufficient funds to set aside for this eventuality, especially if mid-level or catastrophic storm damage occurs.

- j. The ABA/Town pays CMP & CCI a pole rental fee for wires strung on their poles, whether in use or not. If, for some reason, the Network shut down, the Town would continue to incur those expenses without any revenue, making them expenses with no benefit.
- k. ABA/Town is responsible for the cost of "Pole Moves". When CMP or CCI replaces a pole, the wires must be shifted to the new pole. Approximately 17 pole moves are scheduled for 2026. The cost of these moves depends largely on how efficiently multiple wire moves to new poles can be completed in a single day, making the minimum-day rate more cost-effective. If multiple poles per day can be scheduled, the cost could be as low as \$300-\$400 per pole. Moving wires for a single pole per day would increase the cost to approximately \$1,000.

In 2025, there was a single-pole move. Because of our relationship with Hawkeye, the fiber service company, and their flexibility, ABA completed the move while Hawkeye's assets were local, performed work for Fidium, and kept costs under \$300. Thank you, Fidium, for subsidizing our repair. Most importantly, our thanks to Hawkeye for working with ABA to achieve the most cost-effective solution.

- l. ABA recently had to remove a large dead tree that threatened ABA's main fiber feed and the central office. The tree was outside CMP's easement, and ABA bore the full cost of removal (\$1,800.00). ABA will incur similar unplanned miscellaneous expenses each year.
- m. ABA must maintain its own set of books and engage a bookkeeping service to support this effort. Additionally, the ABA bookkeeping, separate from the Town yet a Town asset, complicates the annual audit. ABA pays the Town for the additional audit costs. ABA pays approximately \$5,000 per year.
- n. Upon completion of the Network, ABA was required to undergo a special audit required of all organizations receiving grants in excess of \$750,000. This one-time special audit cost ABA \$42,728.75.
- o. Lastly, ABA impacts the Town's recurring problem with the lack of volunteers. requires three commissioners and several additional volunteers to sustain the effort to manage the Network. This reduces personnel available for other Town efforts.

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The Town recently completed a 94-page Climate Action Plan, which included an extensive section on Vulnerability and Risk Assessment. Of particular note was the following:

“More frequent and severe storms could contribute to infrastructure damage with high winds, erosion, lightning, or falling debris, which could affect the function of communication systems, broadband, electricity, and other services, and pose a safety hazard for community members

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